

Message Text

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SUBJ: PETROLEUM REVERSION BILL - STATE OF PLAY

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BEGIN SUMMARY. THE DRAFT PETROLEUM REVERSION BILL HAS NOW BEEN IN CONGRESS FOR ABOUT 50 DAYS. IT HAS ALREADY SLIPPED BEHIND THE TIMETABLE PREDICTED BY THE VICE PRESIDENT OF THE CHAMBER OF DEPUTIES (REFTEL B) BY ABOUT 30 DAYS DUE TO MANEUVERING BY THE POLITICAL PARTIES OPPOSING THE PEREZ ADMINISTRATION REVISIONS IN THE NATIONAL REVERSION COMMISSION DRAFT. CONSIDERATION OF THE DRAFT BILL HAS ALSO BEEN DELAYED BY A DEBATE IN CONGRESS OVER THE PRESIDENT'S FIRST ANNUAL REPORT, A DEBATE WHEREIN THE MAJOR OPPOSITION COPEI PARTY HAS BEEN HIGHLY CRITICAL OF THE PRESIDENT'S PERFORMANCE IN THE ECONOMIC FIELD. ALSO, THE DRAFT PETROLEUM REVERSION BILL HAS HAD TO SHARE TIME IN A CONTROVERSY OVER A PROPOSAL BY A VENEZUELAN PRIVATE FINANCIAL GROUP KNOWN AS PENTACOM TO PARTICIPATE IN FUTURE LARGE SCALE PETROCHEMICAL INDUSTRY DEVELOPMENT. THE LATTER DEBATE HAS FOCUSED ON THE QUESTION OF WHETHER THE STATE OR THE PRIVATE SECTOR SHOULD

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HAVE THE PRINCIPAL ROLE IN THIS BASIC INDUSTRY. PUBLIC TESTIMONY REGARDING THE REVERSION BILL IS NOW SCHEDULED TO WIND UP BY THE END OF APRIL. END SUMMARY.

1. FOR THE FIRST TWENTY DAYS AFTER THE INTRODUCTION OF THE DRAFT BILL INTO THE NATIONAL CONGRESS, THE NEWSPAPERS WERE FILLED WITH REACTIONS FROM ALL SHADES OF POLITICAL OPINION. THE MAJOR OPPOSITION COPEI PARTY DID NOT FLATLY STATE THAT IT WOULD SEEK TO DEFEAT THE BILL, BUT IT DID REGISTER ITS OPPOSITION TO THE ARTICLE IN THE BILL THAT WOULD ALLOW THE GOVERNMENT TO ENTER INTO MIXED COMPANIES WITH THE PRIVATE OIL COMPANIES AFTER NATIONALIZATION. FORMER PRESIDENT CALDERA LIMITED HIMSELF TO SAYING THAT CONSENSUS ON THE BILL WILL BE DIFFICULT TO ACHIEVE. OTHER SPOKESMEN TOOK PREDICTABLE POSITIONS ON THE BILL. THE LEFTIST PARTIES OPPOSED ANY ROLE FOR THE PRIVATE SECTOR AFTER NATIONALIZATION, AS DID THE NATIONALIST PRO-VENEZUELA BUSINESS GROUP AND JUAN PABLO PEREZ ALFONZO, THE OPEC FOUNDER. FEDECAMARAS, THE MORE CONSERVATIVE BUSINESS ORGANIZATION SUPPORTED THE BILL, AS DID VARIOUS OTHER BUSINESS LEADERS SUCH AS CARMELO LAURIA AND PEDRO TINOCO. ONLY ONE POLITICAL PARTY, URD, PROFESSED TO OFFER A COMPROMISE FORMULA, WHEREBY SPECIFIC AREAS WOULD BE DETERMINED FOR ASSOCIATION AGREEMENTS WITH THE PRIVATE COMPANIES, PERHAPS INCLUDING REFINING.

2. UPON BEING PRESENTED TO THE CHAMBER OF DEPUTIES MINES AND HYDROCARBONS COMMITTEE AT THE END OF MARCH, THE OPPOSITION PARTIES ADOPTED THE TACTIC OF RAISING PROCEDURAL ISSUES. THEY INSISTED THAT THE TWO NATIONALIZATION BILLS INTRODUCED BY MEP AND COPEI SHORTLY AFTER PRESIDENT PEREZ TOOK OFFICE BE CONSIDERED FIRST. A GROUP OF CONGRESSMEN REPRESENTING LEFTIST PARTIES ALSO FORMALLY INTRODUCED THE DRAFT BILL PREPARED BY THE NATIONAL REVERSION COMMISSION

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WITHOUT THE REVISIONS WHICH THE PEREZ ADMINISTRATION HAD MADE. AFTER SEVERAL DAYS OF DEBATE, THE MAJORITY AD PARTY LEADERS ANNOUNCED THAT THE PRESIDENT'S BILL WOULD HAVE FIRST PRIORITY AND THE OTHER BILLS WOULD BE USED AS SUPPORTING MATERIAL.

3. THE NEXT OPPOSITION TACTIC EMPLOYED WAS AN ATTEMPT TO DISCREDIT THE ADMINISTRATION BY ACCUSING IT OF CARRYING ON SECRET NEGOTIATIONS WITH THE PRIVATE OIL COMPANIES. THE LEFTIST MEP PARTY GAVE A LETTER TO THE PRESS WHICH IT HAD OBTAINED FROM CONTACTS IN THE GOV WRITTEN BY MOBIL OIL TO THE MINISTRY OF MINES AND HYDROCARBONS. MOBIL OIL LIMITED OFFICIAL USE
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WROTE TO THE MINISTRY IN MARCH SUGGESTING TERMS FOR NEGOTIATING THE COMPANY'S CONTINUED OPERATIONS IN VENEZUELA AFTER NATIONALIZATION. MINISTER OF MINES VALENTIN HERNANDEZ ANSWERED THIS ACCUSATION BY SAYING THAT THE GOV HAS RECEIVED PROPOSALS FROM VARIOUS CONCESSION HOLDERS, AND OTHERS INCLUDING EASTERN EUROPEAN GOVERNMENTS, OFFERING TO COOPERATE WITH THE GOV AFTER NATIONALIZATION. PRESIDENT PEREZ ALSO TOLD A GROUP OF REPORTERS THAT THE MOBIL LETTER WAS IN RESPONSE TO HIS NEW YEAR'S DAY INVITATION TO COMPANIES TO INFORM THE STATE AS TO WHAT THEY COULD OFFER THE NATIONALIZED INDUSTRY.

4. ON APRIL 8 THE MINES COMMISSION OF THE CHAMBER BEGAN THE FIRST OF A SERIES OF HEARINGS, TAKING TESTIMONY FROM ABOUT 20 INDIVIDUALS

OR GROUPS. FEDECAMARAS, PRO-VENEZUELA, THE INDUSTRY TECHNICIANS - 9:8-589, -&49035, A UNIVERSITY STUDENT GROUP, MINISTRY OF MINES AND HYDROCARBONS OFFICIALS, AND OTHERS HAVE TESTIFIED TO DATE. PERHAPS THE MOST NOTEWORTHY AND POTENTIALLY DIFFICULT TESTIMONY TO HANDLE, FROM THE ADMINISTRATION POINT OF VIEW, WAS THE UNSOLICITED 66-PAGE BRIEF SENT BY THE VENEZUELAN COMPTROLLER GENERAL. COMMENTING ON THE JURIDICAL AND ADMINISTRATIVE ASPECTS OF THE BILL, THE COMPTROLLER GENERAL SAID THAT IT WAS HIS PERSONAL OPINION THAT THE ARTICLE PERMITTING ASSOCIATION AGREEMENTS WITH THE PRIVATE COMPANIES AFTER NATIONALIZATION WAS UNCONSTITUTIONAL IN THAT THE STATE HAD RESERVED FOR ITSELF THE OPERATION OF THE OIL INDUSTRY. HE ALSO FELT THAT THE STATE COULD NOT CONSTITUTIONALLY MAKE DIRECT OFFERS OF COMPENSATION TO THE PRIVATE OIL COMPANIES, BUT RATHER SHOULD PROCEED THROUGH THE SUPREME COURT. THE GOV REACTED GINGERLY TO HIS STATEMENT. MINES MINISTER HERNANDEZ SAID THAT THE COMPTROLLER GENERAL'S VIEWS WERE WELCOME, AND HE URGED OTHER PROMINENT PERSONS TO ALSO GIVE THEIR VIEWS. THE PRESIDENT OF CONGRESS, GONZALO BARRIOS, DESCRIBED THE COMPTROLLER GENERAL'S OPINION AS BEING "SEMI-PERSONAL". THE OPPOSITION PARTIES NATURALLY SEIZED ON THE OPINION AS AN ENDORSEMENT OF THEIR STANCE ON THE BILL. THE COMPTROLLER GENERAL'S OPINION HAS BEEN GIVEN ANOTHER INTERPRETATION BY SOME INDIVIDUALS. IT HAS BEEN VIEWED AS QUESTIONING WHETHER OIL REVERSION SHOULD TAKE PLACE AT ALL WITHOUT A PROPER ANALYSIS OF ALL THE ALTERNATIVES.

5. THROUGHOUT ALL THIS ACTIVITY IN CONGRESS, THE AD PARTY CHAIRMAN OF THE CHAMBER'S MINES AND HYDROCARBONS COMMITTEE, ARTURO HERNANDEZ GRISANTI, HAS BEEN ABSENT, UNDERGOING SURGERY. HIS ABSENCE HAS BEEN FELT AND MAY BE, IN PART, RESPONSIBLE FOR THE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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SLOW PACE OF THE PROCEEDINGS. THE PENTACOM CONTROVERSY WHICH FLARED UP DURING THE PERIOD LEFT ITS OWN FOLLOUT. THE VICE MINISTER OF MINES AND HYDROCARBONS, FERNANDO BAEZ, WAS ALLEGED TO HAVE BEEN DISCHARGED EFFECTIVE APR 30 FOR LEAKING CONFIDENTIAL DOCUMENTS CONCERNING THE APPLICATION BY PENTACOM FOR APPROVAL TO PROCEED WITH PETROCHEMICAL PROJECTS. BAEZ DENIED THAT HE WAS RESPONSIBLE FOR THE LEAK AND IT IS NOT CLEAR AT THIS POINT WHETHER OR NOT HE WILL BE LEAVING HIS POSITION. OTHER OFFICIALS ALLIED WITH HIM IN THE MINISTRY REPORTEDLY WILL DEPART IF HE LEAVES. THUS, THE MINISTRY OF MINES AND HYDROCARBONS MAY NEED TO REGROUP JUST AT A CRITICAL MOMENT DURING THE OIL REVERSION PROCESS.

6. PUBLIC TESTIMONY IS EXPECTED TO WIND UP BY THE END OF APRIL, BUT THERE MAY BE MORE FIREWORKS IN STORE WHEN JUAN PABLO PEREZ ALFONZO APPEARS BEFORE THE CHAMBER COMMITTEE. AT THIS MOMENT, HOWEVER, THERE IS EITHER A LULL OR A TAPERING OFF OF LOUD OPPOSITION. IT IS STILL TOO EARLY TO PREDICT THAT CONGRESS WILL NOW SETTLE DOWN TO SOLEMN CONSIDERATION OF THE BILL. AGENCIO

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